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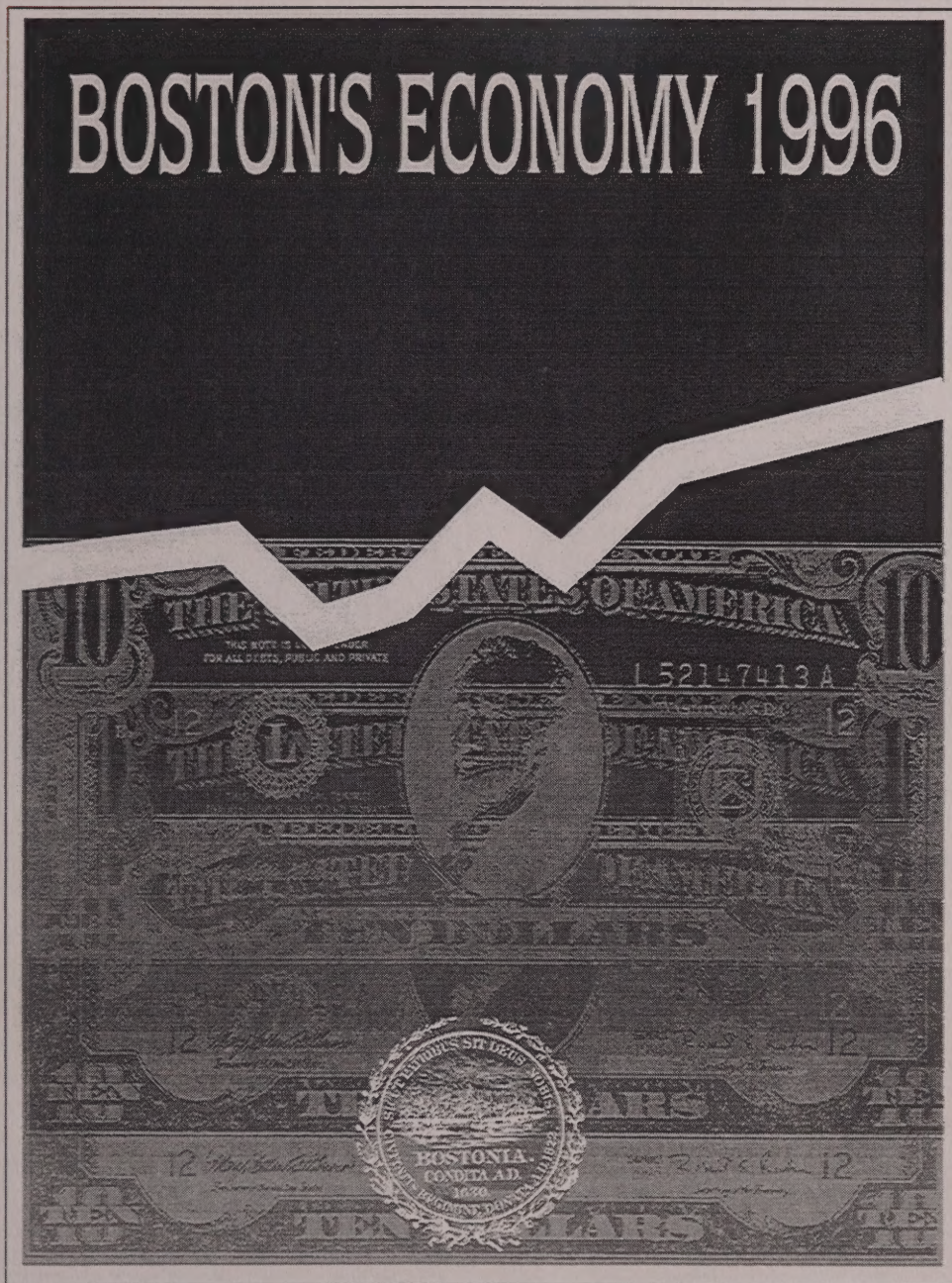
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BOSTON'S ECONOMY 1996

City of Boston
Mayor Thomas M. MeninoMarisa Lago
Chief Economic Development Officer

November 1996

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I. SUMMARY

BOSTON'S ECONOMY - 1996

The City is the economic hub of both the Commonwealth and the New England region. It is a center for professional, business, financial, higher educational and medical services, as well as transportation, communication, export, cultural and entertainment activities. High technology, research and development, manufacturing and wholesale distribution also contribute to the economy of the City and its suburbs. The following description of the economic and demographic characteristics of the City is a summary of the more detailed material included in Part II of this report.

Current Economic Conditions

The current status of the Boston economy is one of an ongoing economic recovery following the 1988-1992 downturn. Economic results for 1993-1995 revealed the best performance since 1986-1988 as measured by many of the primary economic indicators. The 1996 economic record according to data for the first eight months shows continuing growth in Boston's economy.

Economic trends for Boston are positive, with increasing employment, declining unemployment rates, improvement in the office market, strong sales and stable prices in residential real estate, over \$1.38 billion of private development construction investment in fiscal year 1996, and several large public sector projects underway to improve the infrastructure capacity of the City.

Employment increases are evident with the gain of 9,252 jobs (1.7%) in 1993, 15,258 jobs (2.6%) in 1994, and 11,533 jobs (1.9%) in 1995. Unemployment continues to decline with a 4.4% rate in August 1996, an improvement from the 9.2% rate registered at the peak of the regional recession over five years ago in June 1991. The commercial real estate markets have improved from 1991 with the Class A office market vacancy rate reaching 9.9% early in March 1996, down from a high of over 17% in 1991. Residential real estate has posted increasing sales since 1992 and housing sales prices are stable.

Additional data are outlined in the sections which follow and the full range of economic detail is included in Part II.

Population

Boston's population reached 574,283 according to the 1990 Census, registering the first gain since the decade of the 1940s. The only City population data since 1990 has been a Census Bureau estimate for July 1994 showing 547,725. The Massachusetts Institute for Social and Economic Research (MISER) believes that the Census Bureau estimate for July 1994 understates the City's current population, and has asked the Census Bureau to review the methodology employed to produce the estimate. The City is the center of a metropolitan area of 2.8 million persons, and the capital of the Commonwealth with over 6 million residents. The population of Boston is young, in large part because of the high concentration of younger adults who come to the City to attend school or to work. Another characteristic of Boston's population is shown by the racial and ethnic diversity of its residents: the racial composition is 59% white and 41% minority.

Employment

The number of people who work in Boston reached 615,715 in calendar year 1995, a gain of 36,743 over the low reached in 1992. The job gain in the 1992-1995 period was the first real rise since the regional recession began in late 1988. Data indicate that between August 1995 and August 1996 employment in the metropolitan area increased by 1.3%. The number of employed Boston residents increased from 272,774 to 276,055 between August 1995 and August 1996, a rise of 1.2%. Employment gains in the 1992-1995 period were evident in the following industries: construction, manufacturing, retail trade, banking, financial services, health services, educational services, social/cultural/nonprofit services, and business, professional and personal services. The City's economy, measured by employment, comprises 17% of the Massachusetts economy, and 8% of the entire New England region. The occupational distribution of Boston's workforce continues to shift from blue-collar positions to white-collar and services occupations.

Boston's unemployment rate continues to decline. In August 1996 Boston's unemployment rate reached 4.4%

which is down from the recessionary high of 9.2% reached over five years ago in June 1991. The number of persons unemployed has fallen from 27,990 to 12,636 over the same period. Boston's unemployment rate in August 1996 was just slightly above the Massachusetts rate of 3.9% but well below the U.S. unemployment rate of 5.1%.

Commercial Markets

Boston continues to show economic strength in the retail, hotel, and office market sectors. Boston's regional retail market comprises a five-county area with over \$34.18 billion in retail sales in 1995. Retail sales, which grew very slowly in the 1989–1992 era, have rebounded through midyear 1996. Boston's hotel market is one of the nation's best. After reaching a low of 69% in 1991 the occupancy rate was back up to 78% in 1995, well above the national city average; Boston's average daily room rate is \$134 per night. Boston's office market is also improving. As of March 1996, the vacancy rate as reported by CB Commercial Office Vacancy Index (the "CB Index") was 9.9%. According to the CB Index, Boston ranked third among the top 20 downtown office markets in the nation, and number one on the east coast. Rents and absorption have firmed up. Office rents average in the \$30 per square foot range. Absorption of space picked up from 1992–1995, following the slack years of 1989 through 1991.

Housing Market

Both the housing sales volume and housing prices have shown strength over the last four years following the regional recession. 1995, however, was a little slower in housing activity than the previous year because of the upward trend in interest rates. In greater Boston there were 63,018 residential sales in 1995, a decrease of 8.5% over 1994. The neighborhoods of Boston showed a positive trend, though. Just in Boston there were 3,883 residential sales in 1995, a gain of 2.1% from 1994. For condominiums, greater Boston had 13,165 sales in 1995, a 0.1% rise from 1994. In Boston alone, condo sales increased to 2,746 in 1995, a gain of 2.8% from 1994. In addition, median sale price data for existing homes in greater Boston, from the National Association of Realtors, shows that the median purchase price of \$179,000 compares to the peak of \$181,900 registered in 1989. Banker & Tradesman reports on home sales activity in Boston for the first two quarters of calendar 1996 show stable residential sales volume and rising condominium sales volume over the same two quarters of 1995, with values increasing steadily.

Private Development

During the last three decades the public and private sectors have carried out a major expansion of capital construction and investment activities. These activities are expected to continue to expand throughout the remainder of the 1990s, although at a slower rate than that which characterized the 1980s.

Current private development investment was estimated for fiscal year 1996 to be over \$1.38 billion of construction activity. Office construction is presently centered on several renovation projects and even includes some preliminary plans for new construction. The hotel sector is now experiencing a nascent boom with four projects underway and six more in the planning stages. The retail sector has seen activity in the redevelopment of retail malls and a boom in neighborhood supermarket construction. Housing activity is now centered in the development of market-rate rental housing, particularly in the prime areas near Downtown and Back Bay. The medical and higher education institutional sectors have been undergoing significant upgrading of facilities in the 1990s and activity is beginning to slow somewhat. Institutional development does not generate new property tax revenue. In total, new private development is expected to slowly increase during the remainder of the 1990s, with the economic recovery stimulating demand, drawing down vacancy rates, and making new construction more desirable and financially feasible.

Large Public Sector Projects

During the balance of the 1990s, the Boston metropolitan area will be the site of several major public sector projects which are expected to be funded by federal, state and private sources. The depression of the Central Artery, the construction of a four-lane tunnel under Boston Harbor and other smaller transportation projects are estimated to cost over \$7.78 billion plus inflation. The Third Harbor Tunnel, Phase One of the Central Artery/Third Harbor Tunnel Project, is now complete, and the entire project is expected to be completed in 6 to 8 years. In addition, the Massachusetts Water Resources Authority is also constructing one of the largest wastewater treatment facilities in the nation. The project is intended to bring wastewater discharge in Boston Harbor in compliance with federal and state requirements. The project is expected to cost \$3.58 billion. Further, a \$1.0 billion modernization project of

Logan Airport by the Massachusetts Port Authority (“Massport”) is now underway. This airport improvement program will modernize Logan’s aging terminals, improve traffic circulation within the airport, and centralize parking. These improvements will create a more streamlined, efficient, and passenger-friendly airport.

All of these major infrastructure projects increase development investment, resident jobs and wages, and spin-off spending throughout the local economy. In addition, these large public projects, by providing new and improved transportation and water treatment facilities, lay the groundwork for enlarged capacity which will provide for more private sector development into the 21st century.

Another project currently being considered is the construction of a convention center located on Summer Street near the Fort Point waterfront. The convention center would be funded by a combination of private sources and the Commonwealth of Massachusetts. The Mayor and the Governor have each pledged \$2.5 million in pre-development costs to advance the project. The Governor, the Mayor, the Massachusetts Senate President, and the Massachusetts House Speaker have each appointed a representative to report on the optimum size of and financing options for this new facility.

II. BOSTON'S ECONOMY - 1996

General

The City is the economic hub of both the Commonwealth and the New England region. It is a center for professional, business, financial, higher educational and medical services, as well as transportation, communications, export, cultural and entertainment activities. As a government center, the City is the state capital and is host to several federal offices. High technology, research and development, manufacturing and wholesale distribution also contribute to the economy of the City and its suburbs.

The City of Boston is the twentieth largest city in the United States and the center of the seventh largest Consolidated Metropolitan Statistical Area (CMSA) in the nation, consisting of the Boston Primary Metropolitan Statistical Area ("PMSA") plus the contiguous PMSAs of Lawrence, Haverhill, Salem/Gloucester, Brockton, and Nashua, New Hampshire. The Boston CMSA had a population of 4.2 million in 1990, as reported by the U.S. Department of Commerce, Bureau of the Census (the "Bureau of the Census"). In 1990, the City had a population of 574,283, as reported by the Bureau of the Census, and had 622,433 jobs as reported by the U.S. Bureau of Economic Analysis from data of the Massachusetts Department of Employment and Training. The ratio of jobs to population indicates that the City provides a direct source of employment and income for an area which extends well beyond its borders. Measured in terms of jobs, the City's economy comprises approximately 17% of the Massachusetts economy and 8% of that of the six New England states.

In 1982, the City began a six year period of growth during which its economy exceeded many measures of economic growth nationwide. Beginning in 1989 the City, along with the Boston metropolitan area and the New England region, experienced an economic decline which was followed in 1990 by a national economic downturn.

Since 1992 Boston's economic data show evidence of improvement. For example, Massachusetts employment, which had declined by 246,990 jobs in the four years between 1988 and 1992, is now increasing. Data from the Bureau of Economic Analysis for 1995 showed an increase of 214,049 jobs from 1992-1995. Also, unemployment rates, which peaked during the first half of 1991 in the Commonwealth at 9.8%, in the Boston metropolitan area at 8.4% and in the City at 9.2% have all declined to levels between 3.4% and 4.4% in the Commonwealth, the Boston metropolitan area and the City by August 1996. Moreover, according to data regarding office market vacancy rates from CB Commercial Coldwell Banker, Boston ranked as the third best city out of the top 20 downtown office markets and the best on the East Coast. Finally, residential sales improved markedly from 1992 through 1995, as described more fully in "Housing Stock, Housing Values, and Development" below. This rise in residential sales was most likely due to lower interest rates and attractive prices. Despite the raising of rates from February 1994 through June 1995 residential sales remained relatively strong. From mid-1995 to mid-1996 residential sales have been stable as interest rates have moderated; residential values have been increasing.

Sources of Data

Statistical data relating to population, employment and income are derived primarily from four separate sources: the U.S. Census Bureau, the U.S. Bureau of Labor Statistics, the U.S. Bureau of Economic Analysis, and the City of Boston/Boston Redevelopment Authority, each of which is described below.

The U.S. Census Bureau publishes information about population, housing and the economy. Data from the 1990 Decennial Census of Population and Housing is now available for the City. In addition, some monthly and quarterly data are available through August 1996 on certain topics for the region, Massachusetts, and the Boston metropolitan area. The U.S. Census Bureau does not publish such interim data for the City.

The U.S. Bureau of Labor Statistics publishes data and reports about the workforce and related subjects including unemployment rates, area wages, and cost-of-living adjustments. Final data for 1995 are the most recent annual data available; the most recent monthly data are for August 1996.

The U.S. Bureau of Economic Analysis publishes quarterly and annual statistics on income and employment. The most recent annual figures are from the December 1995 revised series, and the April, June, and September 1996 revised series for the nation, New England, Massachusetts, Metropolitan Counties and Suffolk County, which consists of the City plus the municipalities of Revere, Chelsea and Winthrop; the City comprises approximately 87% of the County's population and approximately 96% of its employment.

The City of Boston and the Boston Redevelopment Authority (“BRA”) prepare reports and compile data on the population and economy of the City and its neighborhoods. BRA also provides data and trends from various local, regional, state and national sources on such topics as employment and occupation, large employers, city schools, universities and colleges, medical institutions, tourism and lodging, transportation, office and industrial markets, housing, building activity and urban redevelopment and infrastructure projects.

Statistical data do not necessarily reflect current activity because of delays resulting from the time required to collect, tabulate and publish such data. While the City believes that it has used the most recent data readily available to it in the discussion in this section, because of such necessary delays, the data contained herein may not reflect current conditions or trends. Additionally, statistical data are approximations and generalizations subject to various sources of error inherent in the statistical process, and may be revised on the basis of more complete data. Within such limits, the statistical data contained herein describe past activity and are not presented with a view to predicting future economic activity either in particular categories or in general.

New England, Massachusetts and Metropolitan Boston Economies

New England comprises a six-state region which has a combined population of 13.3 million persons and over 8.1 million jobs according to 1995 Bureau of Economic Analysis annual data. For most of the 1980s, the rate of growth in total personal income, per capita income and population for New England was higher than the national average. In the 1989-1992 period, this trend reversed as the New England economy experienced a regional recession. While total personal income in New England grew at an annual average compound rate of 5.7% over the period from 1985 through 1995, the same as the 5.7% national rate, in the most recent period for which data is available, from first quarter 1995 through first quarter 1996, personal income in New England also grew at a rate of only 5.7%, above the national rate of 5.0%. Employment in New England, which grew by 1,373,566 jobs from 1982 through 1988 at a rate of 3.2% annually, declined by 425,279 jobs from 1988 through 1992 and then rose by 397,871 jobs from 1992-1995. Thus, the net job gain between 1982 and 1995 was 1,346,158 jobs, an annual average of 1.4%.

The Massachusetts economy, with 6.1 million people and 3.7 million jobs, has shown the same three cycles of growth, recession, and growth over the 1982-1995 era. Total personal income grew at a 5.6% annual average rate from 1985 through 1995; by contrast, from first quarter 1995 through first quarter 1996, it grew by 6.6%, which was well above the 5.2% national average. Massachusetts gained 605,004 jobs in the six-year period of 1982-1988, an average annual growth rate of 3.0%. It lost 246,990 jobs between 1988 and 1992 as minicomputer, defense and financial firms consolidated. From 1992-1995 job growth again became evident as 214,049 jobs were gained. The Commonwealth therefore had a net rise of 572,063 jobs during the period from 1982 through 1995, an annual average of 1.3%.

The five-county Boston metropolitan area (consisting of Essex, Middlesex, Norfolk, Plymouth and Suffolk counties), which had 3.8 million people and 2.4 million jobs in 1994, has shown economic trends similar to those for the Commonwealth. Growth of 430,152 jobs from 1982 through 1988 was offset by the loss of 249,729 jobs from 1988 through 1992. The most recent data show a gain of 136,093 jobs for the 1992-1995 period (1993 and 1994 data are from BEA and 1995 data are based upon the U.S. Bureau of Labor Statistics 790 employment trends adjusted to the Bureau of Economic Analysis employment series for consistency). The following table shows the 1985, and 1991-1995 trends; employment data for the City are set forth under “Employment Structure, Employment Trends and Occupational Changes” and its accompanying table.

Population, Income and Employment
1985, and 1991-1995
(income in current year dollars)

	1985	1991	1992	1993	1994	1995
United States						
Total Personal Income (\$000)	\$3,427,423,000	\$4,950,808,000	\$5,248,619,000	\$5,471,129,000	\$5,739,851,000	\$6,097,977,000
Per Capita Income (\$).....	\$14,404	\$19,636	\$20,581	\$21,224	\$22,047	23,208
Population (000).....	237,950	252,131	255,028	257,783	260,341	262,755
Employment (000).....	125,050	139,235	139,948	142,488	146,112	149,290
New England						
Total Personal Income (\$000)	\$209,031,995	\$304,911,307	\$319,077,953	\$329,242,527	\$342,546,465	\$364,594,944
Per Capita Income (\$).....	\$16,405	\$23,083	\$24,166	\$24,876	\$25,812	\$27,388
Population (000).....	12,742	13,209	13,203	13,235	13,271	13,312
Employment (000).....	7,480	7,621	7,660	7,766	7,914	8,058
Massachusetts						
Total Personal Income (\$000)	\$98,966,826	\$141,673,905	\$147,363,283	\$152,530,525	\$159,141,945	\$170,185,296
Per Capita Income (\$).....	\$16,827	\$23,606	\$24,564	\$25,346	\$26,343	\$28,021
Population (000).....	5,881	6,002	5,999	6,018	6,041	6,074
Employment (000).....	3,553	3,495	3,525	3,587	3,660	3,739
Metropolitan Boston (1)						
Total Personal Income (\$000)	\$65,913,081	\$93,642,947	\$97,428,334	\$101,432,351	\$106,807,578	NA
Per Capita Income (\$).....	\$17,640	\$24,839	\$25,853	\$26,828	\$28,140	NA
Population (000).....	3,737	3,770	3,769	3,781	3,796	NA
Employment (000).....	2,416	2,367	2,339	2,368	2,416	2,476*

(1) This metropolitan area includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) but excludes the one county in New Hampshire (Hillsborough) which together comprise the NECMA (New England Counties Metropolitan Area).

* 1995 metropolitan employment is based on BLS 790 employment trends 1994-1995 applied to BEA data for 1994.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, September 1996 annual series, revised, for U.S., New England, and Massachusetts. Metropolitan Boston data for 1985 from BEA series of May 1994, data for 1991-1994 from June 1996 revised series, and for 1995 employment, see footnote * above.

Employment Structure, Employment Trends and Occupational Changes

Between 1985 and 1995, City employment continued to shift from traditional labor intensive manufacturing jobs to technology and service jobs, as shown in the table below, "City of Boston Employment, 1985-1995 Selected Years by Industry." Over the past ten years, the City's service industries, including transportation, communication, public utilities, finance, insurance and the full range of services, expanded their share of the City's total employment from 60% in 1985 to 65% in 1995, while the total employment in manufacturing and trade declined from 7% to 5% and from 15% to 12%, respectively. The economy of the Boston metropolitan area primarily rests on high technology, finance, professional and business services, defense, and educational and medical institutions. The City's economy is more specialized in the financial, business and professional services and educational and medical sectors than the suburban economy, which is more specialized in high technology and the defense industry. As used in this section, "business and professional services" includes many professions, such as law, accounting, engineering, advertising, and architecture, as well as business and miscellaneous services, i.e. data processing, bookkeeping, and building services.

The growth of 81,869 jobs from 1982 through 1988, the period of rapid growth, was offset by the loss of 73,522 jobs from 1988 through 1992, the recessionary time. Trends during the present recovery, for 1993 through 1995 show a gain of 36,741 jobs since 1992. The thirteen year trend shows losses evident in manufacturing, transportation, communication, utilities, wholesale trade, banking, and insurance. The twelve year trend shows gains in the financial securities, real estate and all of the broad-based service industries.

City of Boston Employment, 1985, and 1991-1995 Selected Years by Industry

Industry	1985	1991	1992	1993	1994	1995
Fishing/Mining/Agriculture	1,236	1,038	1,012	1,048	1,132	891
Construction	14,059	10,900	10,230	10,821	11,826	12,577
Manufacturing	42,863	30,219	28,140	28,823	29,479	28,709
Transportation/Communication/Utilities	38,197	34,343	35,430	35,368	35,944	35,739
Wholesale Trade	25,356	16,982	16,141	15,673	15,570	16,167
Retail Trade	64,837	56,633	56,414	55,628	59,358	60,682
Finance/Insurance/Real Estate	90,598	88,109	84,605	85,488	89,916	90,764
Banking	27,661	21,695	21,972	21,536	22,144	22,615
Securities	12,742	23,883	24,472	26,530	29,637	30,800
Insurance	35,927	29,489	26,209	25,486	25,586	24,526
Real Estate and Other	14,268	13,043	11,952	11,937	12,550	12,823
Services	239,739	249,091	252,508	258,921	264,726	272,321
Hotel	10,877	12,229	11,987	11,529	11,561	11,432
Health	69,904	81,926	85,540	86,904	87,348	88,025
Educational	29,399	28,698	28,331	28,305	29,605	30,804
Cultural	6,659	8,519	9,182	9,131	9,166	8,980
Social and Non-profit	21,729	22,248	22,697	23,708	22,484	23,337
Business and Professional	88,213	84,982	84,624	88,946	94,169	98,688
Personal and Repair	12,957	10,489	10,148	10,399	10,393	10,055
Government	97,162	98,532	94,492	97,154	96,231	97,865
Total	614,046	585,849	578,973	588,924	604,181	615,714

Source: 1985-1994 figures are mathematically derived from U.S. Bureau of Economic Analysis Series for Suffolk County ("BEA Series, June 1996, Revised") pro-rated to Boston geography. 1995 data are based on Massachusetts Department of Employment and Training (this series represents payroll jobs covered by the unemployment security system). These Boston employment data are used to derive an equivalent 1995 BEA series (for all jobs, full and part-time). Due to use of pro-rating factors, minor discrepancies of 1 to 3 units between totals and employment categories may result.

The Boston metropolitan area comprises about two-thirds of the Massachusetts state economy, which is interrelated with the economies of the other New England states. Consequently, the City's job changes over the last three cycles of growth (1982-1988), recession (1988-1992), and growth (1992-1995) must be viewed in a regional context. The following table charts employment changes over the three regional business cycles. It clearly shows how severe the recession of 1988-1992 was to the region, but also shows how strong the recovery has been since 1992. In the total picture Boston, metropolitan Boston, Massachusetts, and New England have all experienced net job growth over the thirteen year period.

Job Change in the New England Region, 1982-1995

Area	1982-1988	1988-1992	1992-1995	1982-1995	
				Total Job Change	Percentage Change
New England	1,373,566	(425,279)	397,871	1,346,158	20.1
Massachusetts	605,004	(246,990)	214,049	572,063	18.1
Metro Boston (1)	430,152	(249,729)	136,093	316,516	14.7
Boston	81,869	(73,522)	36,741	45,088	7.9

(1) This metropolitan area includes the following five Massachusetts counties: Essex, Middlesex, Norfolk, Plymouth and Suffolk.

Source: U.S. Bureau of Economic Analysis (BEA) for New England and Massachusetts 1982-1995, September 1996 revised series. U.S. BEA for metropolitan counties for 1982-1994, May 1994 and June 1996 revised series. Boston data derived from BEA Suffolk County series, 1982-1994 and estimated for 1995 using Department of Employment and Training (DET) employment data as described under "City of Boston Employment by Industry, 1985-1995". Data for 1995 for Metro Boston were derived from the percentage change of Bureau of Labor Statistics (BLS) "790 Series" for Non-Agricultural Employment applied to 1994 BEA data.

As of 1990, 67% of City residents were white-collar workers, 17% were service workers and 16% were blue-collar workers, as compared to 60% white-collar workers, 18% service workers and 22% blue-collar workers in 1980. As the table below, "Occupational Change in the City's Resident Labor Force," shows, this trend among City residents away from blue-collar occupations and toward white-collar and service occupations has continued since 1960. Job losses during the 1988-1992 recession, as reflected in occupational employment data for the Boston metropolitan area by the Massachusetts Department of Employment and Training, show about equal losses for white-collar and blue-collar employees.

Occupational Change in the City's Resident Labor Force

	1960		1970		1980		1990	
	Number	%	Number	%	Number	%	Number	%
White-Collar	126,471	44%	146,657	55%	154,456	60%	191,251	67%
Professional & Technical	33,476	12	44,894	17	51,979	20	65,251	23
Managerial	15,604	5	15,035	6	25,238	10	41,955	15
Clerical & Administrative	58,990	21	71,655	27	58,451	23	56,950	20
Sales	18,401	6	15,073	6	18,788	7	27,095	9
Blue-Collar	96,576	34	75,160	28	54,452	22	47,498	16
Craftsmen	32,398	11	27,157	10	19,772	8	18,453	6
Operatives	52,175	18	36,695	14	24,825	10	19,971	7
Laborers & Farm	12,003	4	11,308	4	9,855	4	9,074	3
Service	38,034	13	44,688	17	47,109	18	49,955	17
Not Reported	27,115	9	—	—	—	—	—	—
Total	288,196	100%	266,505	100%	256,017	100%	288,704	100%

Source: U.S. Department of Commerce, Bureau of the Census for 1960, 1970, 1980 and 1990.

Percentages may not add due to rounding.

Unemployment

Unemployment in the City increased from a low of 3.2% in 1987 to a high of 8.4% in 1991. The City's average annual unemployment rate remained below the national rate through 1989 and equaled the national rate in 1990.

Annual Unemployment Rates

	1982	1987	1989	1990	1991	1992	1993	1994	1995
City	9.0%	3.2%	3.9%	5.6%	8.4%	8.0%	6.6%	5.8%	5.4%
Boston PMSA ⁽¹⁾	6.7	2.7	3.4	5.3	7.8	7.5	6.0	5.2	4.7
Massachusetts	7.9	3.2	4.0	6.0	9.1	8.6	6.9	6.0	5.4
New England	7.8	3.4	3.8	5.7	8.0	8.1	6.8	5.9	5.4
United States	9.7	6.2	5.3	5.6	6.8	7.5	6.9	6.1	5.6

(1) Primary Metropolitan Statistical Area, consisting of the City and 105 contiguous municipalities, with a population of approximately 2.8 million in 1990 according to U.S. Census data.

Sources: U.S. Bureau of Labor Statistics for United States, New England and Massachusetts and Massachusetts Department of Employment and Training for the City and Boston PMSA.

Monthly Unemployment Rates for Boston, Boston PMSA, Massachusetts, New England and the United States for 1994, 1995 and 1996⁽¹⁾⁽²⁾

	Boston			Metro Boston*			Massachusetts			New England			United States		
	1994	1995	1996	1994	1995	1996	1994	1995	1996	1994	1995	1996	1994	1995	1996
Jan.	6.1	5.7	5.3	5.8	5.2	4.7	7.2	6.3	5.8	7.4	6.5	6.0	7.3	6.2	6.3
Feb.	5.9	5.5	5.1	5.7	5.1	4.6	7.0	6.1	5.6	7.0	6.5	5.8	7.1	5.9	6.0
Mar.	5.9	5.3	5.0	5.7	4.9	4.5	6.9	5.8	5.4	6.4	5.9	5.4	6.8	5.7	5.8
Apr.	5.6	5.1	4.9	5.1	4.6	4.1	6.1	5.3	4.8	5.7	5.5	4.7	6.2	5.6	5.4
May	5.5	4.9	4.9	4.9	4.4	3.9	5.7	5.0	4.5	5.6	4.8	4.9	5.9	5.5	5.4
Jun.	6.1	5.6	5.5	5.3	4.9	4.3	6.1	5.5	4.9	5.8	5.4	4.9	6.2	5.8	5.5
Jul.	6.1	5.8	5.2	5.2	4.8	4.0	6.0	5.5	4.6	6.0	6.0	4.6	6.2	5.9	5.6
Aug.	6.0	5.8	4.4	5.1	4.7	3.4	5.7	5.2	3.9	5.9	5.2	4.0	5.9	5.6	5.1
Sep.	6.2	6.0	NA	5.2	4.8	NA	5.7	5.3	NA	5.2	5.0	NA	5.6	5.4	NA
Oct.	5.8	5.4	NA	4.9	4.3	NA	5.4	4.8	NA	5.2	4.5	NA	5.4	5.2	NA
Nov.	5.4	5.1	NA	4.6	4.2	NA	5.2	4.8	NA	5.6	4.4	NA	5.3	5.3	NA
Dec.	5.0	4.8	NA	4.4	4.0	NA	5.2	4.8	NA	5.2	4.8	NA	5.1	5.2	NA

(1) Unemployment rates are not seasonally adjusted. Most recent data are preliminary and subject to revision.

(2) The data series prior to 1996 was revised as of March 22, 1996 and differs from previous tables.

* Boston PMSA

Sources: U.S. Bureau of Labor Statistics for United States, New England and Massachusetts and Massachusetts Department of Employment and Training for the City and Boston PMSA.

Unemployment rates for Boston, Greater Boston, Massachusetts and the New England region generally exceeded the national average in the 1990-1992 recessionary period for the first time in more than a decade. Since 1993 though, these regional rates have once again gone below the national rate. August 1996 data show that the City's unemployment rate of 4.4% was just above the Massachusetts rate of 3.9%, but well below the national rate

of 5.1%.

As the preceding table illustrates, 1996 monthly unemployment data show a general improvement over results from 1995 and 1994. As of August 1996, 12,636 Boston residents were unemployed. The 1990 Census data for Boston, which differ from the Bureau of Labor Statistics rates shown below due to sample size, showed that when Boston's total unemployment rate was 8.3%, the rate for whites was 6.4%, the rate for all minority groups combined was 12.6%, and the rate for all youth aged 16-19 years was 18.9%. This pattern is typical of many of the nation's urban centers.

Large Employers

The following table lists the thirty-eight largest private employers in Boston, the total list of organizations with more than 1,000 employees, which had an aggregate of approximately 129,000 employees in 1996, or about 21% of private sector employment.

In addition, the public sector has large numbers of employees in the City. According to the Bureau of Economic Analysis, there were 97,865 government workers in the City in 1995, a reduction of 9,752 from 1988 levels. Certain state government offices, federal regional offices, U.S. Postal Service facilities and state-chartered authorities and commissions, such as Massport and the MBTA, and the City's local government are all located within the City.

Largest Private Employers in Boston, 1996 (listed alphabetically)

American Airlines, Inc.	Globe Newspaper Co.
Au Bon Pain Co., Inc.	Harvard Pilgrim Health Care
BankBoston Corp.	John Hancock Financial Services
Beth Israel Corp.	Liberty Mutual Group
Blue Cross and Blue Shield of Massachusetts	Massachusetts Eye and Ear Infirmary
Boston Edison Company	Massachusetts General Hospital Corp.
Boston Medical Center	The New England (New England Mutual Insur.)
Boston University	New England Baptist Hospital
Brigham and Women's Hospital	New England Medical Center, Inc.
Carney Hospital	NYNEX
Children's Hospital Medical Center	Northeastern University
Dana-Farber Cancer Institute	Putnam Investments
Deaconess Hospital	St. Elizabeth Medical Center
Faulkner Corp.	State Street Boston Corp.
Federal Reserve Bank of Boston	Stone & Webster Engineering Corp.
Filene's	Teradyne, Inc.
Fleet Bank of Massachusetts, N.A.	Thomson Financial Services
FMR Corporation (Fidelity Investments)	USAir, Inc.
The Gillette Company	Visiting Nurses Association of Boston

Source: Survey and Estimates by BRA/EDIC, conducted in Summer, 1996.

Labor Force and Education

According to U.S. Department of Commerce, Bureau of the Census, the City's resident labor force declined during the 1970s but increased during the 1980s. In contrast to the 12% decline in population between 1970 and 1980, the City's labor force (those residents aged 16 and over, available to work) declined by only 4%. The

difference in these rates of decline was attributable to the fact that the decline in population was concentrated in the under-16 age group. Since 1980, both the increasing population and its increasing age have combined with the rising labor force participation of women, minorities, youth and the elderly to produce a larger labor force. By 1990, the City's population had increased by 2% over 1980 levels, while the City's labor force increased by 12.8% in the same period, according to data from the U.S. Bureau of the Census.

General improvement in educational attainment of residents aged 25 and over continued throughout the 1970-1990 period. The percentage of this population that had completed four or more years of college almost tripled during this period from 10.4% to 30%. This change, in part, reflected the trend for an increasing percentage of graduates of the City school system to seek higher education. This percentage increased from 25% in 1960 to 36% in 1970, 44% in 1977, 54% in 1982 and 66% in 1990, and declined to 63% in 1994, based upon Boston School Department figures. Improving educational attainment levels and shifting occupational patterns suggest a concurrent transformation of the City's work force as the City's economy has moved to a service-dominated base.

The City supports entry-level and advanced job training programs, including the following: English-as-a-Second Language training, pre-vocational and vocational training, adult literacy training, and support counseling. In addition, linkage contributions paid into the Neighborhood Jobs Trust provide a supplemental source of funding for job training programs. For a full discussion of the City's housing and jobs linkage program see "The Linkage Program".

Years of School Completed for Boston Residents Age 25 and Over, 1970-1990

	1970		1980		1990	
	Persons	Percent	Persons	Percent	Persons	Percent
0-8 years	91,582	26.1%	54,932	16.6%	37,824	10.3%
1-3 years of high school.....	71,511	20.4	49,407	14.9	51,051	14.0
High school graduate	120,350	34.3	115,787	35.0	97,233	26.6
1-3 years college	30,876	8.8	43,451	13.2	69,889	19.1
4 or more years of college	36,245	10.4	67,073	20.3	109,711	30.0
Total.....	350,564	100.0%	330,650	100.0%	365,708	100.0%

Source: U.S. Department of Commerce, Bureau of the Census; 1970, 1980 and 1990.

Income, Wages, and Cost of Living

Per capita personal income for Suffolk County was \$28,880 in 1994, 31% above national per capita personal income of \$22,047, according to the U.S. Bureau of Economic Analysis. An historical summary of per capita income shows that, from 1980 to 1990, Suffolk County's per capita income grew at a rate greater than that for the nation, in contrast to the 1970-1980 period when it rose at a slower rate. Suffolk County's per capita income grew at a faster rate than the per capita income growth rates for the United States, New England, Massachusetts and Metropolitan Boston (as defined in the chart below) between 1990 and 1994.

The City's median household income (in current year dollars), based on U.S. Census data, rose from \$7,835 in 1970, to \$12,530 in 1980 and \$29,180 in 1990. The figures in this paragraph and the chart directly below reflect earned income of persons residing in the named areas plus rents, interest and other unearned income and transfer payments from governmental entities. As such, these figures take into account certain income sources not included in the survey of average annual wages in the following paragraph, which reflects earned income of persons who work (but do not necessarily reside) in the named areas.

The December 1995 report from the U.S. Bureau of Economic Analysis indicates that average annual wages earned for 1994, by place of work, have been consistently higher in Suffolk County than in the Boston metropolitan area and the Commonwealth. Except for manufacturing and wholesale trade, wages in Suffolk County were higher for all major industry types. For all industries combined, Suffolk County's average wage level (\$36,999) was 21% greater than that in the Boston metropolitan area (\$30,716) and 22% greater than the average state wage level (\$30,226). The average annual wage level reflects income earned by an individual from work in a particular

industry.

Per Capita Personal Income Comparison, 1970, 1980, and 1985-1995
(in current year dollars not adjusted for inflation)

	United States	New England	Massachusetts	Metro Boston	Suffolk County
1970	\$ 4,072	\$ 4,476	\$ 4,547	\$ 4,539	\$ 4,706
1980	10,029	10,655	10,745	10,766	10,562
1985	14,404	16,405	16,827	16,778	16,019
1986	15,138	17,652	18,137	18,143	17,314
1987	15,942	19,068	19,590	19,431	18,856
1988	17,015	20,773	21,380	21,205	21,297
1989	18,127	22,084	22,615	22,038	22,758
1990	19,142	22,715	23,203	22,589	24,150
1991	19,636	23,083	22,606	23,147	24,939
1992	20,581	24,166	24,564	24,020	26,158
1993	21,224	24,876	25,346	24,858	27,319
1994	22,047	25,812	26,343	26,093	28,880
1995	23,208	27,388	28,021	NA	NA

(1) Metropolitan Boston denotes the New England County Metropolitan Area (NECMA), which is larger than the Primary Metropolitan Statistical Area (PMSA); this consists of five Massachusetts counties and Hillsborough County in New Hampshire.

(2) City residents constitute approximately 87% of Suffolk County's population.

(3) Metro area and county data are unrevised and will be updated in August of 1997.

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, September 1996 Revised Series for the U.S., New England, and Massachusetts. The BEA June 1996 series is used for the NECMA and Suffolk County. See footnote 3.

During the ten years 1985-1995, based on the U.S. Bureau of Labor Statistics Consumer Price Index, the cost of living index rose at an annual average rate of 3.8% in the Boston metropolitan area, while the national index increased at a 3.5% annual rate. From July 1995 to July 1996, the cost of living in the Boston metropolitan area rose 2.7%, compared to a 3.0% rate for the nation.

Population

The U.S. Census reported the City's population as 574,283 in 1990, a 2% increase over 1980 and the first increase since 1950. The number of households in the City increased from 217,622 in 1970, to 218,457 in 1980, and to 228,464 in 1990, while household size fell from 2.8 to 2.4 persons per household from 1970 to 1990. The Census Bureau population estimate for Massachusetts on July 1, 1995 was 6,073,550 or an increase of 57,125 persons (0.9%) from the 1990 census. The most recent local Census Bureau population estimate for Boston is as of July 1, 1994, which showed a decline of 4.6% since April 1990, from 574,283 to 547,725. The Massachusetts Institute for Social and Economic Research (MISER) believes that the Census Bureau estimate for July 1994 understates the City's current population, and has asked the Census Bureau to review the methodology employed to produce the estimate.

 Population of the Commonwealth and Boston Metropolitan Area 1970, 1980, and 1990

	1970	1980	1990	Change 1970-1980	Percent Change 1970- 1980	Change 1980- 1990	Percent Change 1980- 1990
Massachusetts	5,689,170	5,737,037	6,016,425	47,867	0.8 %	279,388	4.9%
Metropolitan Boston	2,899,101	2,763,257	2,794,280 ⁽¹⁾	(135,844)	(4.7)	31,023 ⁽¹⁾	1.1 ⁽¹⁾
City of Boston.....	641,071	562,994	574,283	(78,077)	(12.2)	11,289	2.0

(1) Because of a metropolitan area boundary change from Standard Metropolitan Statistical Area ("SMSA") to PMSA, the 1980-1990 change is based on a PMSA population of 2,805,911 in 1980. The 1970-1980 change is based on the SMSA, a slightly smaller geographic area than the PMSA, comprising 92 cities and towns.

Source: U.S. Department of Commerce, Bureau of the Census.

Medical and Higher Educational Institutions

The City's medical and educational institutions are an important component of its economy, providing employment opportunities for residents of the City and the Boston metropolitan area. Expenditures by the institutions' patients, students and visitors are important to the City's trade and service sectors.

Twenty-seven inpatient hospitals are located within the City, including Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel Hospital, Children's Hospital, New England Deaconess Hospital, the New England Medical Center and Boston Medical Center. The City is also the home of the medical and dental schools of Harvard, Tufts and Boston Universities, and of twenty-five public neighborhood health clinics, not including health maintenance organizations and membership clinics.

In 1995, there were an estimated 88,025 persons employed in health services in the City, based on a series consistent with U.S. Bureau of Economic Analysis data. Health services represent 1 out of every 7 jobs within the City. Growth in the health services sector has been stable, despite varying economic conditions. Data from the U.S. Census Bureau, County Business Patterns, showed that the number of hospital employees in Suffolk County between 1987 and 1993 grew from 47,154 to 62,654.

According to the BRA, the City's hospital and medical school community invested \$750 million in new facilities from 1984 to 1993, and from 1994 forward was expected to spend an additional \$980 million on upgrading clinical facilities. Large new projects recently completed or currently under construction at the following City hospitals: Massachusetts General Hospital, Beth Israel Hospital, New England Deaconess Hospital, Brigham and Women's Hospital, Shriners' Burns Institute, and New England Medical Center. Since 1993, in response to pressure from a variety of sources to hold down health care costs, several Boston hospitals including Boston Medical Center, Brigham and Women's Hospital, Carney Hospital, Franciscan Hospital, and Massachusetts General Hospital announced plans to reduce the size of their workforce. In addition, Massachusetts General Hospital has decided to scale back its construction program.

Based on data from the National Institutes of Health, the City is tied for the nation's largest center for health research with New York City. The medical research institutions within Boston received \$651 million in National Institutes of Health awards in fiscal 1995. This was a 3.3% increase (after adjusting for inflation) from fiscal year 1994. According to the National Institute of Health Division of Research Grants, six of the seven independent hospitals in the nation which received the most National Institutes of Health research funding in 1995 are located in the City. The BRA reports that privately-funded research in the City included a \$100 million, ten-year agreement between Dana-Farber Cancer Institute and Sandoz Pharmaceutical Ltd. Additionally, Massachusetts General Hospital received \$46.6 million in fiscal 1992 from pharmaceutical, chemical and cosmetic companies to conduct corporate sponsored research. According to a 1991 BRA report, in 1990 the City's medical research institutions occupied nearly 2.7 million square feet of research space, and there was a demand for an additional 2.6 million square feet; approximately 707,000 square feet of new research space was occupied in 1991 and 1992.

In addition to these public and not-for-profit research facilities, over 100 biotechnology firms are located in

the Boston metropolitan area. According to a 1990 Ernst & Young study, "Biotech 91: A Changing Environment," the Boston metropolitan area is the nation's second largest center for biotechnology by total revenue, and third largest by number of firms.

As of 1994, the New England Board of Higher Education reported 68 colleges and universities in the Boston metropolitan area, at which approximately 240,000 students were enrolled. The City's 32 universities, colleges, graduate schools and community colleges had a combined enrollment in fall 1994 of approximately 134,796, a 2.3% gain from fall of 1993. Included in these numbers are some graduate schools of Harvard and Tufts Universities, whose principal campuses are in Cambridge and Medford, respectively, but which had an estimated 3,000 students in the City in 1994. Based on total graduate and undergraduate enrollment, Boston University is the largest university in Boston, with 29,828 students in 1993.

Educational institutions are a source of new highly skilled professionals for the City's labor force. For example, according to the Massachusetts Institute of Technology, although only 10% of its enrollees over the decade of the 1980s were from the Boston area, 24% remained in the area after graduation.

By the end of calendar year 1993, large projects at educational institutions in the City accounted for approximately \$240 million of investment over the prior 24-month period, according to the BRA. These included new construction at Boston University, Northeastern University, Tufts University, Boston College, the Massachusetts College of Pharmacy and Harvard University.

Tourism

According to the Greater Boston Convention and Visitors Bureau ("CVB"), an estimated 10 million people visited the Boston metropolitan area in 1995, up by 2% from the 9.7 million visitors in 1994. These visitors, measured as tourists, business travelers and convention and meeting delegates who traveled at least 100 miles to get to the City, had an estimated total economic impact upon the Boston metropolitan area of approximately \$8 billion in hotel accommodations, meals, entertainment, shopping, transportation and other services during 1995.

A growing number of visitors to the City are visitors to conventions, trade shows and exhibits. The CVB reported that in 1992, approximately 1.13 million persons were estimated to have attended such functions in the City. According to national figures from a 1990 survey by "Business Travel News," the City ranked as the 21st largest convention city in the nation in 1989 with 525,000 convention delegates. Trade and gate show visitors and meeting attendees accounted for another 475,000 in 1989. The John B. Hynes Veterans Memorial Convention Center, the World Trade Center and the Bayside Exposition Center have a combined full capacity of well over one million people per year.

In recent years several large tourist events have taken place in Boston. In July 1992, Sail Boston, the tall ships flotilla, drew an estimated 6 million attendees, including visitors (as defined above) and local residents who directly spent an estimated \$315 million in restaurants, shops, and hotels with a total estimated economic impact of \$500 million. During the summer of 1994, greater Boston was a regional host of the World Cup soccer championship. And in April 1996, the 100th anniversary of the Boston Marathon was held, which attracted a record field of 38,708 runners and an estimated 750,000 spectators along the route, with 150,000 of them at the Copley Square finishing line.

In 1995 there were 300 events—meetings, conventions, and expositions—over the course of the year in greater Boston, ranging in size from regional meetings with 500 guests to international conventions of 17,000 visitors. Of these events, 36 conventions used 1,000 hotel rooms or more, while 11 were Citywide conventions using at least 2,000 rooms. Projections for 1996 are that 300 events were again scheduled, with 23, 3-to-7 day open-to-the-public expositions expected to draw 10,000 visitors or more, and 16 Citywide conventions that would each use over 2,000 hotel rooms on the peak night.

The City provides a venue for concerts, ice shows, circuses, plays, and other entertainment and sports events. The City is home to three major league sports franchises: the Boston Red Sox baseball team, the Boston Bruins hockey team and the Boston Celtics basketball team. A new privately financed, multi-purpose arena in Boston's North Station District constructed by the New Boston Garden Corporation, a subsidiary of Delaware North, owner of the existing Boston Garden/North Station, opened on September 30, 1995.

Another project currently being considered is the construction of a convention center located on Summer Street near the Fort Point waterfront. The convention center would be funded by a combination of private sources

and the Commonwealth of Massachusetts. The Mayor and the Governor have each pledged \$2.5 million in pre-development costs to advance this project. The Governor, the Mayor, The Massachusetts Senate President, and the Massachusetts House Speaker have each appointed a representative to report on the optimum size of and financing options for this new facility.

Hotel Market

The BRA reports that from 1980 through 1989, fourteen hotel projects, including eleven new hotels and three additions to existing hotels, added 4,885 new rooms to the City's hotel stock. The number of hotel rooms in the City has risen from 6,907 in 1980 to 11,792 by 1991, an increase of 71%. From 1980 through 1988 annual occupancy rates were in the range of 68% to 76% even as many new rooms were completed and average room rates continued to rise. The occupancy rate peaked at 74.5% in 1988 and then declined slowly to a rate of 68.3% in 1991. In 1992, the rate improved to 72.3% compared to a national average of 66.8%. Data for 1993 showed a 75.2% occupancy rate. Data just released by Pinnacle Advisory Group showed a 1994 rate of 77.1% and a 1995 rate of 77.7% for Boston with an average daily room rate of \$134 per night. Data for part of 1996 show an even better performance than 1995. According to Hospitality Valuation Services, a trade association, a hotel occupancy rate of 65% is generally considered to be profitable in the lodging industry.

In late 1993 the newest hotel in the City was completed which is the 270-room Hyatt Hotel and Conference Center at Logan International Airport. Since late 1995, four other hotel projects have emerged. A new 429-room hotel project, to be located on Northern Avenue across from the World Trade Center at Commonwealth Pier by John Drew Company, began construction in November 1995. A time-share resort renovation of the Custom's House tower building by the Marriott Corporation began construction in Spring of 1996 and will result in 80 luxury units when completed. A renovation of the Board of Trade Building at 131 State Street into executive suites also began in 1996. Finally, a building permit has been granted for the conversion of The Compton Building at 157-175 Devonshire Street into a 170-room hotel; construction should begin before the year's end. Beyond 1996 there are six other hotel projects that are in the planning stages; these may begin construction over the next several years. Clearly, the good performance of the hotel market as exemplified by occupancy and room rates have stimulated a lot of development activity in hotel supply.

Transportation

The City is a major national and international air terminus, a seaport and the center of New England's rail, truck and bus service. The City is served by three limited-access interstate highways which connect it to the national highway system: U.S. 90 (the "Massachusetts Turnpike"), which leads westward from downtown Boston to the New York State border; U.S. 95, the East Coast's principal north-south highway, which connects Boston to Portland, Maine to the north and New York City and Washington, D.C. to the south; and U.S. 93, another north-south highway, that extends from just south of the City to New Hampshire and Maine. The City is also served by two national railroads, Amtrak and Conrail, a regional rail carrier, Boston and Maine (a subsidiary of Guilford Transportation Industries), and Bay Colony (a local carrier).

Transportation planning includes both major highway and mass transit programs. Federal transportation legislation has enabled the Massachusetts Bay Transportation Authority (MBTA), which provides commuter rail, subway, local bus and express bus services to 78 cities and towns in eastern Massachusetts, to receive approximately \$3.8 billion between 1965 and 1995. Transportation planning for mass transit facilities in the City is mainly under the auspices of the MBTA. In addition to federal money, since 1983, the MBTA has undertaken capital projects in the amount of \$3.5 billion, most of which comes from state bond issues. The MBTA's current capital program includes a variety of expansion and rehabilitation projects; its five year program anticipates spending \$300 million annually.

Other MBTA capital funds will go toward the ongoing improvement, renewal and modernization of equipment, facilities, service utilities, tunnels and bridges. MBTA capital program projects are funded through the federal government and MBTA bonds and certificates of participation. For a discussion of the City's obligation with respect to the MBTA, see "City Indebtedness—Indirect Debt."

Work is underway on the MBTA's North Station Transportation Center Project, which includes construction of an underground parking garage, commuter rail terminal improvements, and better suburban connections. The new subway superstation, as well as the relocation of the existing light rail viaduct to an underground structure, began in the fall of 1995. The MBTA's South Station Transportation Center project which includes a new intercity

bus terminal and parking garage above the existing rail terminal, is largely complete and is open. The MBTA began limited commuter rail service to Worcester in the fall of 1994 with full service planned for 1996. The MBTA is nearing completion on the restoration of commuter rail service on the Old Colony, Plymouth, and Middleboro rail lines, which will provide commuter rail service to several of Boston's South Shore suburbs. About 80% of the cost of this project will be funded by the federal government. State monies and bond funds will pay for the remaining share. Construction of a portion of this project, involving two rail spurs, began in early 1993 and is anticipated to be completed in September 1997. The MBTA is still seeking necessary approvals and appropriations for a third rail spur on this line.

The South Boston Piers Transitway/Electric Trolley Bus Project is a \$413 million long range plan to connect South Station with the proposed new Federal Courthouse at Fan Pier and the World Trade Center. The Final Environmental Impact Report was completed in December 1993 and the Final Environmental Impact Statement was reviewed by the Federal Transit Administration and the Massachusetts Executive Office of Environmental Affairs. The project was approved in the Spring of 1994 and construction began in the fall of 1995. The MBTA has a commitment assurance of \$278 million and is expecting an additional \$52.7 million in federal assistance.

The MBTA has begun the design of trackless trolley service on Washington Street between Dudley Square and downtown Boston. Service will operate in reserved lanes using 60 foot-long articulated low door buses. This \$40 million project will be funded with state funds. Infrastructure improvements should be completed by 1999.

Since 1991, Amtrak has spent \$390 million towards a multi-year infrastructure project of \$1.1 billion, to upgrade the rail corridor between Boston and New York permitting better ride quality, faster speeds, and greater capacity for rail users. A key component of infrastructure upgrades is electrification of the remaining segment of the Northeast Corridor rail line between New Haven and Boston, which will be completed in 1999. Amtrak has awarded a contract to acquire 15 high-horsepower electric locomotives and up to 18 high-speed trains which, when combined with all other infrastructure improvements, will reduce rail travel time from downtown Boston to downtown New York City to three hours, which is competitive with air travel. The equipment contract also includes construction of three new maintenance facilities to service the trains and locomotives; one of these facilities will be located in Boston at Southampton Yard. Amtrak expects to generate significant revenue from high-speed rail service and, based on ridership and revenue projections, was able to secure 100% private financing of the new high-speed trains. Congressional appropriations under the Northeast Corridor Improvement Program pay for infrastructure work and maintenance facilities.

See "Large Public Sector Projects" for a description of the depression of the Central Artery and the construction of a third tunnel under Boston Harbor, two other significant transportation projects in the City.

Seaport and Airport

The Massachusetts Port Authority ("Massport") was created by the state legislature in 1959 to stimulate and support the Commonwealth's economy through development and management of the City's major air and sea transportation centers and the Tobin Memorial Bridge over the Mystic River. Massport is financially independent, and the City is not responsible for any debt or other obligations incurred by Massport. Heavy use of Boston Logan International Airport ("Logan Airport") and the Port of Boston has compelled significant expansion of both facilities. Massport spent a total of \$747.0 million consisting of \$422.0 million on airports and \$325.0 million on Tobin Bridge, maritime, development and other capital spending projects from 1981 through 1993.

The Port of Boston serves the six-state New England region and beyond as a natural deep-water berth, and provides access to world ports as well as feeder service several times weekly to Halifax, Canada and the Port of New York. The City's port activity includes handling bulk and general cargo, providing ship repair supply services, offering customs and international trading services, providing storage facilities and other commercial maritime services.

The City's port tonnage fell from the 1950s through the mid 1980s as a result of changes in transportation technology and in the regional economy. In 1990, according to the U.S. Army Corps of Engineers, the Port of Boston ranked as the 21st largest American seaport by total tonnage shipped and as the 18th largest American seaport by foreign tonnage shipped. During 1995, 1.26 million tons of containerized cargo worth over \$4 billion were shipped through the City's three public container terminals.

The Port of Boston now is a major cruise port, which hosts about 50 cruise ship calls a year, including a very successful weekly sailing to Bermuda. In 1994 Boston had a 400% increase in passenger numbers compared with

1993, up from 15,068 to 79,456. In 1995 it was estimated that these activities would have an economic impact of \$22 million on Boston. The cruise port season mainly runs from May through October.

In 1996, the BRA and Massport produced a Seaport Economic Development Plan for Boston Harbor, which provides policies and guidelines for future development planning along Boston's waterfront. The plan is currently being implemented.

Logan Airport in 1995 was served by 39 domestic and international airlines. In calendar year 1995, Logan Airport, serving a total of 24.2 million passengers, was the most active airport in New England, the thirteenth most active in the United States and the 19th most active in the world, according to the Airports Association Council International (ACI). Total passenger volume at Logan Airport increased by 5.3% annually between fiscal 1979 and fiscal 1988. Between fiscal 1988 and fiscal 1993 Logan Airport's total passenger traffic decreased at a 1.4% average annual rate, due primarily to the national and regional economic recession, events in the Persian Gulf and overall increases in airline fares. Since 1993 the number of passengers served has again increased. Results for calendar year 1995 indicate that 24.2 million passengers were served, a decline of 1.1% from the 24.5 million passengers of 1994 and a 5.2% rise from the 23 million mark reached in 1992.

Logan Airport also plays an important role as a center for processing domestic and international air cargo. According to ACI, in 1994 Logan Airport ranked 17th in the nation in total air cargo volume. Between fiscal 1991 and 1995 the total volume of air cargo handled at Logan Airport grew by 14.2%. In 1995 total cargo had increased by 6.1% over the three years since 1992, reaching 314 million pounds of freight shipped, 415 million pounds of express/small packages shipped, and 140 million pounds of mail handled.

In 1995, Massport projected that it would spend an average of about \$200 million annually during fiscal 1995 through 2003 for ongoing capital improvements to Hanscom Field, Logan Airport, Tobin Memorial Bridge and the port facilities, and for improvements and major maintenance at various Massport properties. Massport currently expects to finance these projects with a combination of bond proceeds, federal grants and internally generated funds.

Construction Activity

During the last three decades the public and private sectors have carried out a major expansion of capital construction and investment activity. Private commercial development investment has added over 20 million square feet of office space to the physical inventory of the City since 1965, seven times the amount built in the previous 35 years.

The following table sets forth the estimated potential construction activity in the City from fiscal years 1987-1996, estimated as indicated in the notes to the table. It should be noted that the issuance of a building permit and payment of a fee do not necessarily result in construction activity.

Revenue from building permit fees during the two-year period of fiscal 1987 and fiscal 1988 indicated that the estimate of total potential construction activity for such period was \$4.5 billion, or an annual average of \$2.25 billion. Revenue from building permit fees in fiscal years 1989 and 1990 indicated that total estimated construction activity dropped by an average of \$500 million dollars in each year. After building permit revenues reached a low of \$6,689,380 in fiscal 1991, they increased in fiscal 1992, 1994, and 1996 after decreasing in fiscal years 1993 and 1995. In fiscal 1996, building permit revenues reached an eight year high of \$11.8 million indicating estimated potential construction activity of approximately \$1.4 billion. This fiscal 1996 building activity was the highest since fiscal 1989 and was very close to the average of the last ten fiscal years.

**Boston Building Permit Revenues and Estimated Potential Construction Activity
Last Ten Fiscal Years, 1987-1996**

	Building Permit Revenues ⁽¹⁾	Estimated Potential Construction Activity ⁽²⁾	Estimated Potential Construction Activity Adjusted For Inflation ⁽³⁾
1987.....	\$13,540,134	\$1,588,721,647	\$2,248,609,521
1988.....	14,431,173	1,697,785,059	2,292,928,697
1989.....	11,423,439	1,343,934,000	1,689,814,688
1990.....	8,119,487	955,233,793	1,139,256,774
1991.....	6,689,380	786,985,833	887,684,994
1992.....	9,136,207	1,074,847,882	1,191,663,202
1993.....	8,832,324	1,039,096,908	1,109,555,751
1994.....	9,039,951	1,063,523,647	1,123,069,893
1995.....	7,629,395	897,575,882	921,435,494
1996 (4).....	11,777,653	1,385,606,235	1,385,606,235
Total.....	\$100,583,143	\$11,833,310,887	\$13,989,625,250
Annual Average 1987-1996.....	\$10,058,314	\$1,183,331,089	\$1,398,962,525

(1) Building permit revenues in current dollars.

(2) Potential construction activity estimated by dividing permit revenues by 0.85%, which is the midpoint between permit fees calculated at 0.7% of the first \$100,000 estimated value of development cost, and 1% for the remainder of development cost.

(3) (3) Estimated potential construction activity adjusted to January, 1996 constant dollars (CPI-U).

(4) Permit revenues for FY 1996 are based upon 12 months of actual fees.

Source: City of Boston Auditing Department and Boston Redevelopment Authority's Policy Development and Research Department.

Large Public Sector Projects

During the balance of the 1990s the Boston metropolitan area will continue to be the site of several major public sector projects. These projects include the depression of the Central Artery, the section of Interstate-93 that runs through downtown Boston, which is the key six-lane elevated interstate highway that carries traffic through the City, and the construction of a four-lane tunnel under Boston Harbor (together, the "Transportation Projects"). At present, the Central Artery connects with the Sumner and Callahan Tunnels, two two-lane tunnels under Boston, which link downtown Boston with Logan Airport and points north. The Transportation Projects, which are intended to improve traffic flow within the City, are under the control of the Commonwealth. It is estimated that the Transportation Projects will employ about 5,000 on site workers and 10,000 auxiliary workers by the late-1990s (the peak years of construction). The Transportation Projects are estimated to cost over \$7.7 billion plus inflation. Federal funds will cover approximately 84% of this cost, and the Commonwealth will cover the remainder. In 1987 Congress authorized \$1.9 billion for the first five years of the project, 1987 through 1992. In 1992 Congress authorized another \$3.7 billion for the federal fiscal years 1993 through 1997. Although these expenditures have been authorized, they are subject to annual appropriation by Congress. The project is due for another authorization by Congress in 1998. The Commonwealth's contribution over the life of the project is expected to be approximately \$1.3 billion. It is expected that appropriations will be made in annual increments by the Commonwealth as the work progresses, although this cannot be guaranteed. The Ted Williams Tunnel was completed in late 1995 and opened for limited commercial use until the balance of the Interstate 90 extension under the Fort Point Channel is completed.

The Massachusetts Port Authority has developed a long range capital program of approximately \$1.8 billion for improvements at its facilities, most of which are located in the City. The capital program is expected to accommodate parking and vehicle unloading, to increase roadways and terminal and cargo capacity, and to result in other improvements, principally at Logan Airport.

The Massachusetts Water Resources Authority ("MWRA"), an independent state authority, is constructing

one of the largest wastewater treatment facilities in the nation (the "Treatment Facility Project"). This project, which is being undertaken pursuant to a federal district court order, is scheduled for completion in 1999 as part of MWRA's capital improvement program with a cost of approximately \$3.58 billion (1996 dollars). Through June of 1996, approximately \$2.85 billion of work has been completed. The project is intended to bring wastewater discharges in Boston Harbor into compliance with federal and state requirements. It is being funded through state and federal grants and loans and the issuance by MWRA of revenue bonds backed by rates and charges paid by users. Such rates and charges are expected to continue to increase each year, dictated in large part by increased debt service costs in connection with financing its capital program, and are expected to have a substantial financial impact on the local bodies served by MWRA, including the Boston Water and Sewer Commission ("BWSC"). In addition to the Treatment Facility Project, the MWRA is planning to spend \$1.49 billion on water system improvements over the next 10 years. All of these improvements will not be physically located in Boston, but should provide a major improvement in the system infrastructure that serves the city.

The City is not directly responsible for the costs of any of these projects, although the BWSC, which pays approximately 32% of all MWRA rates and charges, is expected to bear a portion of the cost of the Treatment Facility Project through increased user fees. See "City Indebtedness—Related Authorities and Agencies—Boston Water and Sewer Commission." The City is currently negotiating with the Commonwealth to receive mitigation payments for any City services (such as fire and police) which may be required to support the Transportation Projects. No such services are expected to be required for the Treatment Facility Project.

Another project currently being considered is the construction of a convention center located on Summer Street near the Fort Point waterfront. The convention center would be funded by a combination of private sources and the Commonwealth of Massachusetts. The Mayor and the Governor have each pledged \$2.5 million in pre-development costs to advance this project. The Governor, the Mayor, the Massachusetts Senate President, and the Massachusetts House Speaker have each appointed a representative to report on the optimum size of and financing options for this new facility.

Enhanced Enterprise Community Designation

On December 21, 1994, the City of Boston was designated an Enhanced Enterprise Community (EEC) through the Department of Housing and Urban Development. The City received \$22 million in Economic Development (EDI) funds. These EDI funds are to be used only within the EEC and are intended to complement and be used in concert with Section 108 Loan Guarantee funds. EDI funds may be used to write down interest rates on Section 108 loans and to establish a loan loss reserve.

The EDI grant makes the City eligible for matching Section 108 funds which can be used as capital improvement loans for commercial or industrial projects that either produce jobs of which 51% are for low and moderate income residents, or provide a benefit or service to a specific area.

As part of the EEC designation, the City also was awarded a \$3 million Enterprise Community grant to conduct human service programs that were part of the City's Empowerment Zone application, such as job training and education. An additional benefit of receiving EEC designation is that it offers the City of Boston additional tax benefits and priority in other Federal funding programs.

During the first 20 months of Boston's EEC the following milestones have been achieved: 1.) four EEC business districts were chosen to participate in the Boston Main Streets Initiative; 2.) the nation's first One Stop Capital Shop opened; 3.) the Empowerment Center office served over 3,000 clients in the first eighteen months; 4.) Mass. Biotechnology Research Institute's biotechnology business incubator leased 20,000 square feet of space and has invested over \$1 million in building upgrades; 5.) over 400 new and rehabilitated housing units with a development cost of \$36 million were created; 6.) the new \$70 million Boston Police Headquarters broke ground; 7.) \$80 million in HOPE VI funding from HUD is being used to reconstruct more than 1,400 units of public housing, and; 8.) groundbreaking took place for Egleston Center, a new neighborhood business district retail complex. In addition two EEC assisted projects are underway: The Harry Miller Company was the first EEC grant to be awarded, for the \$2 million development of 36,000 square feet of manufacturing space creating 125 jobs, and a new \$8 million Seafood Processing Cooperative is about to commence construction which will retain 125 jobs and create 50 new ones.

Mutual Funds Tax Legislation, 1996

In August of 1996, Governor Weld signed legislation which changed the corporate tax structure for mutual fund service corporations (a sub-set of the larger set of financial services firms) operating in Massachusetts. The new law, which is to be phased in over a three year period, calls for taxes to be applied only on sales to investors who are Massachusetts residents, a change from the previous law that applied the tax to both in-state and out-of-state investors.

The new law also did away with the previous three factor formula that calculated the tax based on a company's sales revenue, payroll and property values. The new single factor apportionment law calculates taxes based exclusively on sales.

To qualify for treatment under the new legislation, mutual fund corporations in the state must retain 100% of their 1996 employment level, and must increase jobs at least 5% in each of the next five years. In the sixth year, all mutual fund corporations whose employment level is 125% of their 1996 level will qualify for treatment under the new law.

The mutual fund industry is the fastest growing sector of the \$7.5 billion financial services industry in Massachusetts. In Boston, financial services account for some 47,000 jobs and a payroll of \$3.2 billion, and generate jobs in supporting fields like telecommunication, computer technology, printing, advertising, law, and accounting.

Office Market and New Development

The City currently has 49 million square feet of office space, of which 37 million is Class A (the most expensive category), and 12 million is Class B or C. From 1977 through 1983, local office occupancy surveys reported a consistent decline in vacancy rates, reaching 2.0% in 1983. With the addition of over three million square feet of office space in 1984, the vacancy rate rose to 11.5% by the end of that year. However, net absorption of over two million square feet was the highest in a decade. In 1986 and 1987 demand of over two million square feet annually outpaced office completions, sending vacancy rates down to 5.2% by the end of 1987. During 1988, completion of over three million square feet of new and renovated Class A office space and a decline in absorption to 1.0 million square feet brought the vacancy rate for such space up to 12.0%. (Figures for 1988 and later reflect Class A space only.) In 1989, office market absorption of 796,000 square feet, and the addition of about 718,000 square feet, reduced vacancy rates to 11.5%. Vacancy rates at year-end 1990 were 14.6% with an annual absorption rate of 583,000 square feet, when 1.9 million square feet of new office space was added.

New office construction added during 1991 totaled 905,513 square feet of office space in two buildings. The total amount of space absorbed in 1991 was a negative 163,381 square feet, driving the vacancy rate upwards. At year-end 1991, the downtown Boston office vacancy rate had risen to 17.1%, according to the BRA. As of the end of 1992, the BRA reported that the vacancy rate had come down to 15.0% as 785,283 square feet were absorbed. In 1993, only one new building, International Place Phase 2, was completed, bringing 750,000 square feet of new office space into the downtown market. Absorption of Class A office space in 1993 totaled only 151,000 square feet and consequently the office vacancy rate moved upward to 16.1%.

At year-end 1994 the vacancy rate for downtown Boston, as done by CB Commercial, was reported to be 10.4%. Absorption improved notably in 1994, reaching over 1.5 million square feet downtown which combined with no additions to supply to cause the vacancy rate to come down. In 1995, while the office market was a little bit slower, the vacancy rate continued to fall to 10%. About 400,000 net square feet of space was absorbed. By March of 1996, the vacancy rate according to CB Commercial was reported to be 9.9%.

No new office buildings, only some renovations, were added in the three year time frame of 1994-1996, allowing the vacancy rate to improve. Currently there are several projects in the works for completion in the 1997-1999 time period, including: a 600,000 square foot rehabilitation of 28 State Street, a 74,000 square foot addition to The Pilot House on the waterfront, and a 60,000 square foot addition to The New England's building in the Back Bay. In addition, there are three new buildings and two major rehabilitation projects seeking approvals in the review process.

Even though Boston's downtown market vacancy rate is still high compared to early and mid-1980s levels, it remains below the national average, as determined by Coldwell Banker, a real estate brokerage corporation, in the following chart.

Comparative Office Vacancy Rates
20 Largest Downtown Office Markets as of March 31, 1996

City	Vacancy Rate	City	Vacancy Rate
San Francisco	7.0%	Denver	15.6%
Seattle	7.0	Phoenix	15.7
Boston	9.9	Chicago	17.1
Minneapolis-St. Paul	10.4	Cleveland	18.4
Washington, D.C.	10.4	Detroit	21.2
Manhattan, Midtown	11.2	Manhattan, Downtown	21.3
Cincinnati	14.1	Baltimore	21.7
Kansas City	14.3	Houston	21.9
Atlanta	14.5	Los Angeles	22.7
Philadelphia	14.7	Dallas	36.4

National Average⁽¹⁾ 15.0%

(1) National Average is based on 45 U.S. cities from the CB Commercial Office Vacancy Index.

Source: CB Commercial Office Vacancy Index, March 31, 1996.

Retail Market

As of 1990, the date of the last decennial census, the City was within the ninth largest metropolitan retail market in the nation, consisting of the City plus the Massachusetts municipalities of Lowell, Lawrence, Salem and Brockton. Of the approximately 10 million square feet of retail space in the City, approximately six million square feet are located in downtown Boston and Back Bay. About 3,824 retail establishments were located in the City in

Metropolitan Boston Retail Sales, 1990-1996
(In millions, not adjusted for inflation)

	1990	1991	1992	1993	1994	1995	1996
January	\$ 2,102	\$ 1,958	\$ 2,159	\$ 2,334	\$ 2,378	\$ 2,512	\$ 2,570
February	2,035	1,975	2,201	2,258	2,389	2,512	2,763
March	2,359	2,259	2,387	2,509	2,856	2,866	2,945
April	2,285	2,206	2,380	2,500	2,711	2,705	2,981
May	2,507	2,452	2,532	2,559	2,845	2,903	3,186
June	2,436	2,450	2,527	2,587	2,866	2,860	3,093
July	2,223	2,292	2,366	2,455	2,643	2,641	2,997*
August	2,418	2,406	2,361	2,564	2,834	2,851	NA
September	2,364	2,536	2,447	2,652	2,904	2,867	NA
October	2,306	2,400	2,546	2,698	2,875	2,842	NA
November	2,501	2,532	2,567	2,780	2,980	2,995	NA
December	2,807	2,964	3,228	3,413	3,661	3,631	NA
Annual	28,343	28,430	29,701	31,309	33,942	34,185	NA

*Preliminary.

Source: U.S. Department of Commerce, Bureau of the Census, "Current Business Reports: Monthly Retail Trade". Compiled by Boston Redevelopment Authority's Policy Development and Research Department. Data are for the five counties in metropolitan Boston: Essex, Middlesex, Norfolk, Plymouth and Suffolk.

1992 and had an estimated total sales of \$4.18 billion. According to the U.S. Census of Retail Trade, retail sales in the Boston metropolitan area increased annually from 1990 through 1995. In 1994, retail sales reached \$33.9 billion, an 8.4% rise from sales in 1993. Retail sales in the Boston metropolitan area for all of 1995 reached \$34.2 billion, which showed a rise of only 0.7% from 1994 without accounting for inflation. Data for the first seven months of 1996 show stronger growth trends than 1995 with a seven-month comparative gain of 8.1%.

Recent major retail projects in downtown Boston include Border Books, Loehmann's and Tello's at Downtown Crossing and the new Waterstone's Books at Faneuil Hall. Projects now in process are a Marshall's in Downtown Crossing and Niketown in the Back Bay. In the neighborhoods there were 10 neighborhood business districts selected for the Main Streets Program which have generated, as of mid-1996, 75 new businesses and created 354 new jobs. Also of importance are the supermarket developments that have taken place throughout Boston's neighborhoods, a solid sign of investment in the inner-city; seven supermarkets are complete and five more are underway.

Industrial Market and Recent Developments

As of January 1996, according to the BRA/EDIC over 21 million square feet of industrial space was located in the City. The vacancy rate was 35.7%, with over 7.5 million square feet unoccupied. The average rent for quality industrial space was estimated to be in the range of \$5 per square foot. In 1994, there were 3.9 million square feet of industrial research and development space in the City, which was 16% vacant with 619,000 square feet available. The average rent was estimated to be \$10.65 per square foot.

According to information from EDIC, 5.5 million square feet were acquired and/or rehabilitated in the City for industrial use from 1983 through 1991. Among these projects were the multi-million dollar expansions by Teradyne, Inc., EDIC's Industrial Center at the former Boston Army Base and the Marine Industrial Park, renovation of the former Schrafft's factory in Charlestown for office tenants, and private investments in rehabilitation for industrial use of the Stonybrook Commerce Center, the Haffenreffer Brewery in Jamaica Plain and the Howden Sirocco plant in Hyde Park.

In 1992, a Cambridge-based biotechnology firm, Genzyme Corporation, started construction of an \$85 million biopharmaceutical manufacturing plant in Allston. Genzyme plans to build further manufacturing, research and development and headquarters facilities on the site during the 1990s.

Certain companies were forced to lay off employees in the mid-1990s because of business strategies and down-sizing efforts. For example, Digital Equipment Corporation (DEC) closed its Roxbury plant in late 1993 and Stride Rite Corporation is expected to close its plant in Roxbury in 1997. These plant closings will have eliminated a total of 350 manufacturing jobs, representing about 1% of the City's industrial jobs. In 1995, H.P. Hood decided to consolidate its operations in the suburbs and close its Charlestown Plant. The building is currently being marketed to other tenants.

The City purchased the former Digital Equipment building in Roxbury in late December 1994. The facility houses the Boston Technology Development Center (BTDC). The BTDC has opened an Innovation Center to be operated by the Massachusetts Biotechnology Research Institute (MBRI). The Innovation Center can be thought of as a "super incubator" which includes four major components: a physical incubator with shared conference and reception facilities; a relationship with venture capital funding; a technology transfer office which helps locate technologies with commercial potential; and a comprehensive education and training program. The MBRI, which has already invested over \$1 million to renovate 20,000 square feet of the building, is now in the process of buying the whole building.

Among the BTDC's immediate benefits to the community is the generation of 70-80 construction jobs in refitting the BTDC. MBRI will also expend a minimum of \$150,000 per year on Biotechnology Education and Training programs to benefit community residents, including seminars open to the public, training programs for Boston Public School teachers, youth education programs for Roxbury residents, and workforce development programs for Roxbury residents. Over \$20 million in venture capital funding has already been lined up to support the new companies that will be housed at the BTDC; these private funds were leveraged by \$5 million in Federal funds which have already been awarded to the project.

As of mid-1996 there were a number of active industrial projects in Boston. Among eight projects just completed over the past year are the Advanced Electronics expansion to 110,000 square feet, the expansion of the Boston Freight Terminal in Fort Point Channel, the American Engineered Components move from Cambridge to

Boston, and the Zoom Telephonics building doubling in size to 150,000 square feet. Continuing projects include Ergo Science's \$13 million, 70,000 square foot location in the Charlestown Navy Yard, 400,000 square feet of leasing activity in Boston Marine Industrial Park (BMIP), Boston Ship Repair's expanded business in Dry-Dock 3 at BMIP, and the two industrial projects assisted in the EEC as mentioned under "Urban Economic Development Assistance".

Housing Stock, Housing Values, and Development

The U.S. Census reported in April 1990 that the City's housing stock consisted of 250,863 units. From 1980, the date of the previous decennial census, through 1990, over 9,400 net new housing units were added to the supply. The composition of housing is changing. The number of private rental apartments declined between 1980 and 1990, mainly due to condominium conversions. Condominium units increased from about 4,500 in 1980 to over 33,000 in 1990, or 13% of the housing stock. Units in 1-4 family homes increased between 1980 and 1990, and now constitute over 50% of the City's housing stock. More than 80% of these structures are owner-occupied. Despite the loss of rental units since 1980, over 5,000 net new units have been added to publicly-assisted housing. In 1990, public and publicly-assisted housing constituted 17% of the City's housing stock.

Within the City, the U.S. Census reported that the median sales value of a single-family home was \$161,400 in 1990. The U.S. Census also reported that the median contract rent in the City was \$546 per month in 1990, when market rate units and subsidized units were combined. The City's gross housing vacancy rate in 1990 was 9%, with an estimated 6% net vacancy rate (representing units readily available for occupancy).

Greater Boston Annual Median Housing Sales Prices, 1986-1995
(For existing homes)

<u>Year</u>	<u>Housing Prices</u>	<u>Percent Change</u>
1986.....	159,200	18.6
1987.....	177,200	11.3
1988.....	181,200	2.3
1989.....	181,900	0.4
1990.....	174,100	(4.3)
1991.....	170,100	(2.3)
1992.....	171,100	0.6
1993.....	173,200	1.2
1994.....	179,300	3.5
1995.....	179,000	(0.2)

Note: The first and second quarter 1996 medians of \$187,300 and \$195,300 compare with the \$175,100 and \$179,000 medians for the same period in 1995.

Source: National Association of Realtors and the Greater Boston Real Estate Board.

The National Association of Realtors reported that the median sale price of homes in the Boston metropolitan area was \$179,000 for 1995, a 0.2% increase from 1994 prices. Through two quarters of 1996 the median sales price is up substantially over those for 1995. Banker & Tradesman, a local trade journal, stated in its fourth quarter report, "Market Briefings," that during the full year 1995 there were 2.1% more residential sales in the City than there were in the full year 1994 (3,883 versus 3,804) while condominium sales increased by 2.8% over the same period (2,746 versus 2,671). The same journal reported that during the first two quarters of 1996 there was a 0.3% fall in residential sales (1,853 versus 1,859) while there was a 28.2% rise in condominium sales (1,501 versus 1,171) versus the same two quarters in 1995. The volume of residential and condominium sales are still above the levels recorded in 1992 and 1993. This moderating pace of housing sales growth is a result of the higher interest rates for mortgages which occurred between February 1994 and June 1995.

Residential development, which was very slow during the regional recession of 1988-1992 and for two years after, has begun to increase a little from late in 1995. Two market rate apartment projects with 264 units were

recently completed in the Back Bay and Beacon Hill. Planning, design review, and permitting are underway for nine major market rate housing developments in Downtown, Back Bay, Brighton, Charlestown, South Boston, and the South End. These projects will add over 400 more housing units to the city. In addition, several affordable housing developments are complete or continuing. Close to 200 units have just been completed in Chinatown, Fenway, South Boston and the South End. Five affordable developments are underway around the city with 348 new units, while another five projects are pending.

The Linkage Program

The City implemented its development linkage program in December 1983, in order to direct some of the benefits of downtown investment to the building of affordable housing in its neighborhoods. Under the program, real estate developers seeking approval of large scale commercial or institutional developments are required to enter into agreements obligating them to make "linkage payments" in the amount of \$6 per square foot of construction over 100,000 square feet, of which \$1 per square foot goes to a job training fund and \$5 per square foot goes for housing purposes.

Linkage payments into the Neighborhood Housing Trust are amortized over a period of either seven or twelve years, depending on the date of the initial agreement. Current agreements provide for a seven-year payment period. The seven-member Neighborhood Housing Trust holds public hearings and, together with the Boston Redevelopment Authority, approves linkage grants to selected projects. As of June 30, 1993, developers of 43 projects completed or in construction were committed to pay \$55.3 million under this program. \$33.7 million of this money already has been allocated for the construction or renovation of 3,800 housing units in the City's neighborhoods. Affordable housing units for low and moderate-income residents comprise 84% of this total.

Funds for the Neighborhood Jobs Trust come from Jobs Linkage Fees of one dollar per square foot for every foot in excess of the 100,000 square foot threshold. This component of Linkage came from the 1986 amendment to the legislation and was followed by the creation of the Trust in 1987. Payments are made in two parts, with one half due at the point a building permit is issued, and the balance due one year later, or upon the issuance of an occupancy permit for the building. Over the 1988-1996 time period \$3.5 million of funds have been awarded resulting in the creation of 53 programs. Some of the services funded under this program include: model program designs for school-to-work transition, family literacy, workplace-based education, private sector involvement in the design and delivery of services, and capacity building in impacted communities. The Trust is particularly interested in supporting new and innovative education and training activities which result in high wage employment, new or non-traditional employment opportunities, and community based projects which respond to specific communities' documented education and training needs. The Jobs Trust is committed to providing appropriate services to the residents of neighborhoods where (or adjacent to where) a given development project is located.

